



Investors and environmentalists
for sustainable prosperity

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For Immediate Release: June 14, 2006

\$1 trillion of investors call on SEC to require corporate disclosure on financial risks of climate change

Letter signed by state treasurers/comptrollers from California, Connecticut, Kentucky, Maine, Maryland, New Jersey, New York, Oregon and Vermont

BOSTON – More than two-dozen institutional investors, managing more than \$1 trillion of assets, today called on the U.S. Securities and Exchange Commission (SEC) to require publicly-traded companies to disclose the financial risks of global warming in their securities filings.

In a letter to SEC Chairman Christopher Cox, the 27 institutional investors wrote that climate change poses material financial risks to many of their portfolio companies and that those risks should be disclosed as a matter of routine corporate financial reporting to the SEC. While some U.S. companies have voluntarily reported their climate risk to shareholders, the vast majority of businesses - including many of the country's largest emitters of global warming pollutants - have refused to do so, citing ambiguous SEC rules governing the acknowledgment of such material dangers to shareholder wealth.

“Shareholders deserve to know if the companies they own are going down the prudent path – adopting environmental practices that will enable them to thrive in a world of increasing environmental concern and regulation – or whether they are following a path that will damage both our environment and our bottom line,” said California State Treasurer Phil Angelides, a trustee of two of the nation's largest public pension funds, CalPERS and CalSTRS, which collectively manage about \$400 billion in assets.

“This letter sends a clear message that the SEC needs to do more to help investors better understand the climate change-related risks that companies face, whether from direct physical impacts or new regulations,” said Mindy S. Lubber, president of Ceres and director of the Investor Network on Climate Risk (INCR), which coordinated the letter.

Investors called on the SEC Chairman to:

- enforce existing disclosure requirements on material risks that are underreported, such as climate change.
- strengthen current disclosure requirements by providing interpretive guidance on the materiality of risks posed by climate change.

- require companies to include in their proxy statements shareholder proposals asking companies to report on financial risks due to climate change.

In a memo from Ceres that accompanied the letter, investors cited the SEC's own guidelines for the Management's Discussion and Analysis of Financial Conditions and Results of Operations (or "MD&A") section of a company's SEC filings which stipulates: "Specific known trends, events or uncertainties that are reasonably likely to have a material effect on a company's financial condition or operating performance must be discussed in the MD&A."

Global warming and growing efforts worldwide to address it by limiting carbon dioxide emissions presents such a trend and uncertainty, say the investors, particularly to large greenhouse gas emitting companies such as those in the electric power, auto and oil sectors. SEC rules do not clearly require such disclosure on global warming and carbon dioxide emissions, resulting in non-disclosure and uneven disclosure, said the investors.

"Without comprehensive regulations, even as corporate disclosure of the business impact of climate change is increasing, it remains intermittent, inconsistent, and incomplete," said Connecticut State Treasurer Denise L. Nappier, principal fiduciary of the \$23 billion Connecticut Retirement Plans and Trust Funds. "The SEC needs to treat this disclosure issue with the seriousness that it warrants, because unresponsive regulations can lead to economic disaster. In the shadow of the Enron convictions, we are forcefully reminded that the more we know, and the sooner we know it, the better off we are."

"Investors are not receiving the climate risk information from companies that is essential to their investment decision-making," said Rob Feckner, chairman of the California Public Employees' Retirement System (CalPERS). "The SEC needs to provide better interpretive guidance for companies clarifying the materiality of climate change in securities filings."

Many of the 27 institutional investors that signed the letter have been pushing for greater climate risk disclosure from companies by filing shareholder resolutions. The Connecticut Treasurer's office, for example, has filed numerous resolutions with electric power, auto and oil/gas companies requesting climate risk reports.

As a result of such resolutions and other engagement with companies, more than a dozen electric power companies, as well as a handful of auto and oil firms, have published or agreed to publish reports on their potential financial exposure from new regulations and other climate-related risks.

The letter to Cox is part of a 10-Point Investor Network on Climate Risk action plan that was endorsed by 28 European and U.S. investors at the Institutional Investor Summit on Climate Risk at the United Nations last year. The action plan calls on U.S. companies, Wall Street firms and the SEC to intensify efforts to provide investors with comprehensive analysis and disclosure about the financial risks and opportunities presented by climate change.

The 27 investors signing the letter are as follows:

Bradley Abelow, Treasurer, State of New Jersey
Stephen Abrecht, Director, SEIU Capital Stewardship Program
Phil Angelides, Treasurer, State of California
Joan Bavaria, President, Trillium Asset Management
William J. Boarman, Chairman, CWA/ITU NPP
California Public Employees' Retirement System
California State Teachers' Retirement System
Patricia A. Daly, OP, Executive Director, Tri-State Coalition for Responsible Investment
Randall Edwards, Treasurer, State of Oregon
Julie Fox Gorte, Ph.D, Vice President and Chief Social Investment Strategist, Calvert Group
Denis Hayes, President and CEO, Bullitt Foundation
M. Benny Hernandez, Corporate Governance Advisor, Sheet Metal Workers National Pension Fund
Alan Hevesi, Comptroller, State of New York
Adam Kanzer, General Counsel & Director of Shareholder Advocacy, Domini Social Investments LLC
C. Thomas Keegel, General Secretary-Treasurer, International Brotherhood of Teamsters
Nancy Kopp, Treasurer, State of Maryland
David Lemoine, Treasurer, State of Maine
Lance E. Lindblom, President and CEO, Nathan Cummings Foundation
Karina Litvack, Head of Governance & Socially Responsible Investment, F&C Asset Management (London)
Jonathan Miller, Treasurer, State of Kentucky
Denise L. Nappier, Treasurer, State of Connecticut
Bruce Raynor, General President, UNITE HERE
Jeb Spaulding, Treasurer, State of Vermont
William C. Thompson, Jr., Comptroller, City of New York
Steve Westly, Controller, State of California
John Wilson, Director - Socially Responsible Investing, Christian Brothers Investment Services, Inc.
Pat Zerega, Director, Corporate Social Responsibility, Program Unit for Church in Society, Evangelical Lutheran Church in America

Ceres is a national coalition of investors and environmental groups working with companies to address sustainability challenges such as global warming. Ceres also coordinates the \$3 trillion Investor Network on Climate Risk. For more information, visit <http://www.ceres.org> or <http://www.incr.com>.



June 14, 2006

Christopher Cox
Chairman
Securities & Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Cox:

We are writing to you as members of the Investor Network on Climate Risk (INCR), a group of investors launched in 2003 by six state treasurers, two state and city comptrollers and labor pension fund leaders to promote better understanding of the financial risks and investment opportunities posed by climate change. INCR currently has 50 members, representing nearly \$3 trillion in assets.

This letter is a continuation of communications we have had with the Commission over the past several years. We would like to meet with you to continue these discussions, which focus on how the SEC can play a leadership role in improving disclosure of climate risk in securities filings.

Over the past two years institutional investors in INCR have requested that the SEC take additional steps to ensure corporate disclosure of climate risk in securities filings.¹ In 2004 fourteen INCR members wrote former Chairman William Donaldson to request a meeting to discuss this issue. In addition, INCR Director Mindy Lubber and UN Foundation President Timothy Wirth met with Division of Corporation Finance staff in June 2004 and former Commissioner Harvey Goldschmid in April 2005 to discuss climate risk.

INCR members are reiterating their request for the Commission's leadership now because climate change is currently recognized as a top tier concern by investors, Wall Street firms, and companies, with both near-term and long-term impacts on our investments.

In their 2004 letters to Chairman Donaldson, investors in INCR asked the SEC to take the following steps to improve corporate disclosure:

- a) Enforce existing disclosure requirements on material risks such as climate change, which are underreported;
- b) Strengthen current disclosure requirements, for example by providing interpretive guidance on the materiality of risks posed by climate change; and
- c) Revise or change the Staff's interpretation of Rule 14a-8's "ordinary business" exclusion to require a registrant to include in its proxy statement a shareholder proposal asking the registrant to report on financial risks due to climate change.

We write today to renew these requests and emphasize the need for better interpretive guidance. We are mindful of the SEC's continuing efforts to improve corporate disclosure and accountability and are hopeful that under your leadership, the SEC will take action to address climate change risk.

¹ Please find attached two 2004 letters on climate change from institutional investors to former SEC Chairman William Donaldson.

Thank you very much for giving your time and attention to these important matters. In the near future, we would like schedule a call with you to discuss your views on these issues at a mutually agreeable time. We will contact your office to make arrangements and will look forward to talking with you.

Sincerely,

- Bradley Abelow, Treasurer, State of New Jersey
- Stephen Abrecht, Director, SEIU Capital Stewardship Program
- Phil Angelides, Treasurer, State of California
- Joan Bavaria, President, Trillium Asset Management
- William J. Boarman, Chairman, CWA/ITU NPP
- California Public Employees' Retirement System
- California State Teachers' Retirement System
- Patricia A. Daly, OP, Executive Director, Tri-State Coalition for Responsible Investment
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- Alan Hevesi, Comptroller, State of New York
- Adam Kanzer, General Counsel & Director of Shareholder Advocacy, Domini Social Investments LLC
- C. Thomas Keegel, General Secretary-Treasurer, International Brotherhood of Teamsters
- Nancy Kopp, Treasurer, State of Maryland
- David Lemoine, Treasurer, State of Maine
- Lance E. Lindblom, President and CEO, Nathan Cummings Foundation
- Karina Litvack, Head of Governance & Socially Responsible Investment, F&C Asset Management (London)
- Jonathan Miller, Treasurer, State of Kentucky
- Denise L. Nappier, Treasurer, State of Connecticut
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- Pat Zerega, Director, Corporate Social Responsibility, Program Unit for Church in Society, Evangelical Lutheran Church in America

Enclosures: Memorandum: Request for SEC Leadership on Climate Risk
2004 Letters to SEC Chairman William Donaldson

CC: Commissioner Paul S. Atkins
Commissioner Roel C. Campos
Commissioner Cynthia A. Glassman
Commissioner Annette L. Nazareth



Memorandum

To: Christopher Cox, Chairman, Securities & Exchange Commission
From: Mindy Lubber, Ceres President & Director, Investor Network on Climate Risk
Date: June 14, 2006
Re: Request for SEC Leadership on Climate Risk

This memorandum supplements the enclosed letter from INCR members. It includes more information about three steps mentioned in the letter which the SEC could take to improve corporate disclosure on climate risk.

A. Continued underreporting of climate risk in SEC filings

In both the investing and corporate communities, there is growing recognition that climate change presents material risks to numerous sectors of the economy, with recent evidence suggesting that in certain sectors the cost of climate change to shareholder value can represent as much as 15 percent of total market capitalization of major companies.

However, a recent report, Fourth Survey of Climate Change Disclosure in SEC Filings of Automobile, Insurance, Oil & Gas, Petrochemical, and Utilities Companies¹, demonstrates the inadequacy of current corporate disclosure of climate risk. The findings of the report suggest that while overall climate reporting rates are improving, many public companies are failing to adequately disclose climate change-related risks to their shareholders. In two sectors which are highly vulnerable to climate change, oil and gas and utilities, a majority of companies surveyed disclose their climate risk—a clear sign that this risk is material to companies in these industries. However, almost 30% of oil and gas companies and 4% of utilities did not report their climate risk to shareholders. In the insurance industry, one of the sectors most vulnerable to climate change, 85% of companies surveyed did not disclose.

The report identifies companies in these three industries that have not provided any climate risk reporting in the past four years – in marked contrast to some of their competitors. Adequate risk reporting is critical to investment decision-making, making corporate disclosure of climate risk to investors essential—and even prudent, in terms of competition in the marketplace. Therefore, SEC enforcement of existing disclosure requirements on material risks such as climate change, which are currently underreported, would be extremely helpful to investors.

B. The need for interpretive guidance on the materiality of climate risk

The SEC already requires companies to disclose material risks that may affect their financial conditions or results of operation. Specifically, Item 303 of Regulation S-K requires disclosure in the MD&A section where “a trend, demand, commitment, event or uncertainty is both presently known to management and reasonably likely to have material effects on the registrant’s financial condition or results of operation.” Further, Item 101 of Regulation S-K, which deals with General Description of Business Operations, requires disclosure of “the material effects that compliance with Federal, State, and local provisions which have been enacted or adopted regulating the discharge of materials into the

¹ The report, written by Michelle Chan-Fishel of Friend of the Earth, was released in September 2005.

environment, or otherwise relating to the protection of the environment.” But despite these rules, companies are not providing, and investors are not receiving, adequate climate risk information. Interpretive guidance from the SEC clarifying the materiality of climate change in MD&A reporting would provide investors much-needed information.

C. Shareholder resolutions on climate risk reporting should not be considered “ordinary business”

To improve corporate disclosure of climate risk, investors have filed shareholder resolutions requesting information on climate change. However, they have been unable to file resolutions asking for a company assessment of climate risk because Commission Staff has considered them excludable under the “ordinary business” exclusion. Staff has stated that these matters are more appropriate for disclosure in ordinary SEC filings, where, as noted, such disclosure is inconsistent and at times inadequate. According to a recent Staff Legal Bulletin (SLB 14C on Shareholder Proposals, issued June 28, 2005), “to the extent that a proposal and supporting statement focus on the company engaging in an internal assessment of the risks or liabilities that the company faces as a result of its operations that may adversely affect the environment or the public's health, we [the SEC] concur with the company's view that there is a basis for it to exclude the proposal under rule 14a-8(i)(7) as relating to an evaluation of risk.”

Because these proposals are excluded, shareholders are not able to make use of an important tool for remedying the current problem of inadequate climate reporting in 10-Ks. A revision of the Staff's interpretation of Rule 14a-8's “ordinary business” exclusion, to require a registrant to include in its proxy statement a shareholder proposal asking the registrant to report on financial risks due to climate change, would be very helpful to investors.

In conclusion, the Commission could address these issues in several ways. It could build staff expertise on climate risk; host a forum for brokerage firms, asset managers, and investors to discuss climate risk and opportunities; take enforcement action against companies that fail to disclose this risk to investors; or require mandatory disclosure of climate risk to investors.

March 1, 2004

Mr. William Donaldson
Chairman
Securities & Exchange Commission
450 5th Street, NW
Washington, DC 20549

Dear Mr. Donaldson,

We were among thirteen State Treasurers who joined with major institutional investors to convene the first *Institutional Investors Summit on Climate Risk* at the United Nations on November 21, 2003 to examine the financial risks of climate change and their implications for investment policy.

More than two hundred individuals representing over one trillion dollars in investment portfolios participated, including senior executives from Wall Street and the insurance sector, pension fund and foundation fiduciaries, labor, environmental and political leaders, and UN Secretary-General Kofi Annan. The discussions were both remarkable and compelling, producing greater interest in, knowledge of and concern about the implications of climate change for America's corporations and their investors.

The Summit was co-chaired by Connecticut Treasurer Denise Nappier and Tim Wirth, President of the United Nations Foundation, who has now informed us of your agreement to go forward with a meeting between a group of major institutional investors and the SEC. We believe this meeting is extraordinarily important as the investment community grapples with this unfolding issue, and would respectfully request your presence at such a meeting.

The agenda will include the first two points included in the Investor Call for Action on Climate Risk, endorsed by the undersigned State Treasurers and other leading institutional investors during the Summit. That document [attached] called on the SEC to:

- enforce corporate disclosure requirements under regulation S-K on material risks such as climate change and to strengthen current disclosure requirements – as requested by investors and others in recent petition to the SEC (File # 4-163).

Mr. William Donaldson
Securities & Exchange Commission
March 1, 2004
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- re-interpret or change its proxy rules under Section 14(a)-8 relating to “ordinary business” to recognize that shareholders should have the right to vote on resolutions asking their companies to report on financial risks that may be faced due to climate change

Our focus is on mandatory inclusion of climate risk information in the financial disclosure material provided by the corporations in which we invest. This is consistent with our need for detailed information regarding major material impact on our investments and our ongoing efforts to attain corporate governance policies and principles that will routinely provide such information to all investors.

As you know, the existing regulatory framework requires companies to disclose material risks, including environmental risks, that may diminish shareholder value. Specifically, SEC Rule S-K, Item 303, provides guidelines for reporting environmental contingencies that may affect companies’ operations. There is growing recognition that climate change presents a number of material risks to numerous sectors of the economy. The need to incorporate climate risk into standard corporate disclosure practices grows increasingly urgent, as recent evidence suggests that in certain sectors the cost of climate change to shareholder value can represent as much as 15 percent of the total market capitalization of major companies. Therefore, investors would like to see the SEC issue guidelines as to how the rules can be enforced.

While some firms have moved aggressively to address this issue, most are not disclosing the financial risks associated with climate change, including those associated with the increasingly likely regulation of carbon dioxide. A recent study commissioned by CERES found that eight major companies – Alcoa, ChevronTexaco, ExxonMobil, General Electric, General Motors, Honda, IBM, and International Paper – made no mention of climate change or related issues in their 2001 Form 10-K or Form 20-F securities filings. Increasingly concerned investors have filed resolutions seeking further disclosure, but have had limited success in changing corporate practices. That is why it is so essential for the SEC to assure that investors receive this critical information.

We are mindful of the SEC’s continuing efforts to improve corporate disclosure and accountability, and appreciate your interest in this issue. It is our intention for a small group, to include a number of State Treasurers and Wall Street leaders, to discuss how the SEC can work with us to achieve the necessary corporate disclosure.

Mr. William Donaldson
Securities & Exchange Commission
March 1, 2004
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We will call your office shortly to confirm a meeting date, and look forward to pursuing this important matter.

Sincerely,



Denise L. Nappier
Treasurer
State of Connecticut



Philip Angelides
Treasurer
State of California



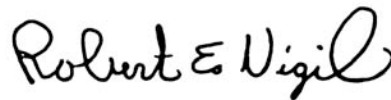
Randall Edwards
Treasurer
State of Oregon



Dale McCormick
Treasurer
State of Maine



Jeb Spaulding
Treasurer
State of Vermont



Robert Vigil
Treasurer
State of New Mexico

Attachments

CC: Commissioner Cynthia A. Glassman
Commissioner Harvey J. Goldschmid
Commissioner Paul S. Atkins
Commissioner Roel C. Campos

April 20, 2004

Mr. William Donaldson
Chairman
Securities & Exchange Commission
450 5th Street, NW
Washington, DC 20549

Dear Mr. Donaldson,

We are among the institutional investors who convened the first *Institutional Investor Summit on Climate Risk* at the United Nations on November 21, 2003 to examine the financial risks of climate change and their implications for investment policy.

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The agenda will include the first two points included in the Investor Call for Action on Climate Risk, endorsed by leading institutional investors during the Summit. That document (attached) called on the SEC to:

- enforce corporate disclosure requirements under regulation S-K on material risks such as climate change and to strengthen current disclosure requirements – as requested by investors and others in a recent petition to the SEC (File # 4-463).
- re-interpret or change its proxy rules under Section 14(a)-8 relating to “ordinary business” to recognize that shareholders should have the right to vote on resolutions asking their companies to report on financial risks that may be faced due to climate change.

Mr. William Donaldson
Securities & Exchange Commission
April 20, 2004
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While some firms have moved aggressively to address this issue, most are not disclosing the financial risks associated with climate change, including those associated with the increasingly likely regulation of carbon dioxide. A recent study commissioned by CERES found that eight major companies – Alcoa, ChevronTexaco, ExxonMobil, General Electric, General Motors, Honda, IBM, and International Paper – made no mention of climate change or related issues in their 2001 Form 10-K or Form 20-F securities filings. Increasingly concerned investors have filed resolutions seeking further disclosure, but have had limited success in changing corporate disclosure practices. That is why it is so essential for the SEC to assure that investors receive this critical information.

We are mindful of the SEC's continuing efforts to improve corporate disclosure and accountability, and appreciate your interest in addressing climate risk. We are respectfully offering to work with the SEC on this issue.

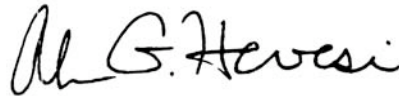
Mr. William Donaldson
Securities & Exchange Commission
April 20, 2004
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We will call your office shortly to confirm a meeting date, and look forward to pursuing this important matter.

Sincerely,




Steve Abrecht
Executive Director of Benefits, Pension Fund
Service Employees International Union



Alan Hevesi
Comptroller
State of New York



Nancy Kopp
Treasurer
State of Maryland



Gerald McEntee
President, American Federation of State,
County and Municipal Employees
(AFSCME)



William J. Boorman
Chair, Negotiated Pension Plan
Communication Workers of America/ITU



Tom Keegel
General Secretary-Treasurer
International Brotherhood of Teamsters



Lance E. Lindblom
President and CEO
The Nathan Cummings Foundation



William C. Thompson, Jr.
Comptroller
City of New York

Attachments

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